

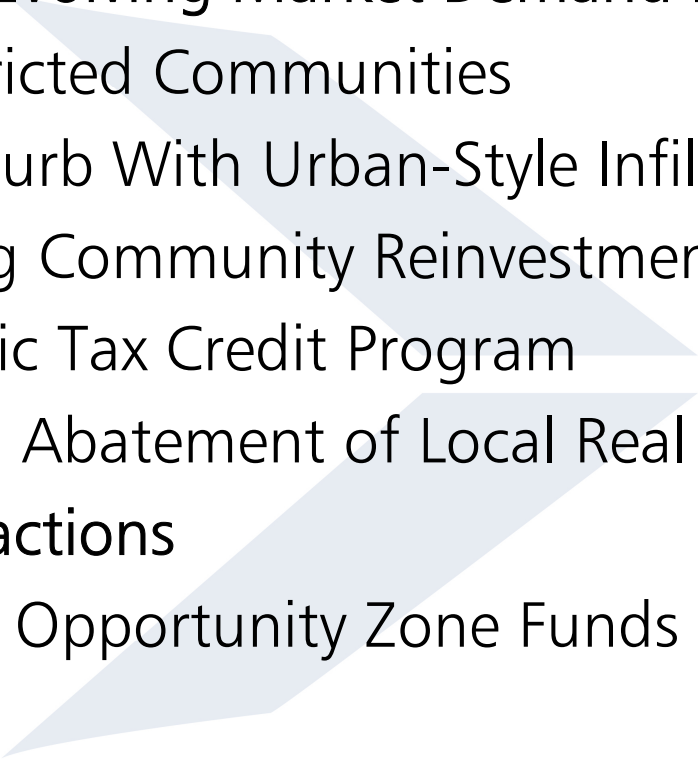
ECONOMIC SNAPSHOT: VIRGINIA HOUSING MARKET

Presentation to Virginia Housing Commission
September 12, 2018

WILLIAMS MULLEN

TOPICS FOR DISCUSSION



- A. Changing Demographics & Demand
 - B. Examples of Evolving Market Demand in Virginia
 - 1. Age-Restricted Communities
 - 2. Inner Suburb With Urban-Style Infill Development
 - 3. Catalyzing Community Reinvestment
 - a. Historic Tax Credit Program
 - b. Partial Abatement of Local Real Estate Tax
 - C. Coming Attractions
 - Qualified Opportunity Zone Funds
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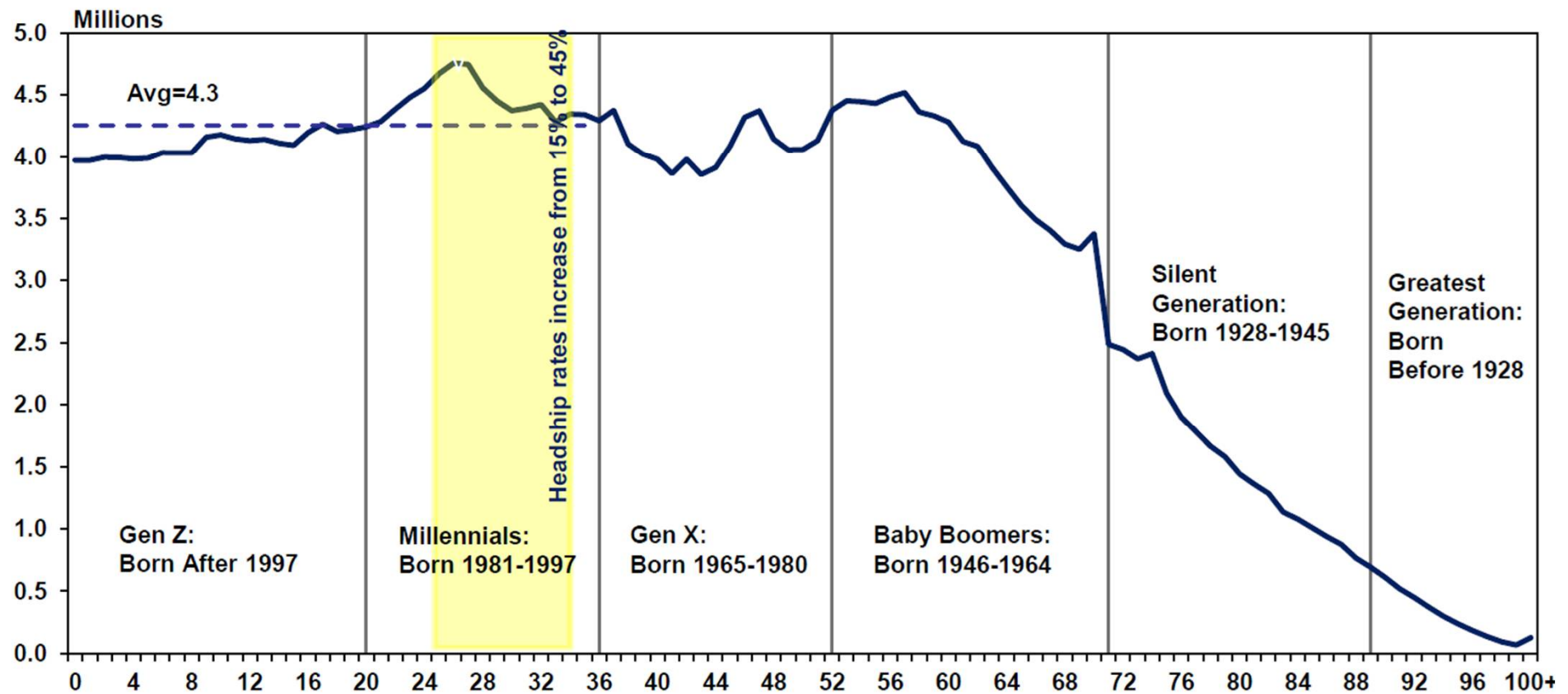
A. CHANGING DEMOGRAPHICS & DEMAND

A. CHANGING DEMOGRAPHICS:

RISE OF THE MILLENNIAL HOMEBUYER

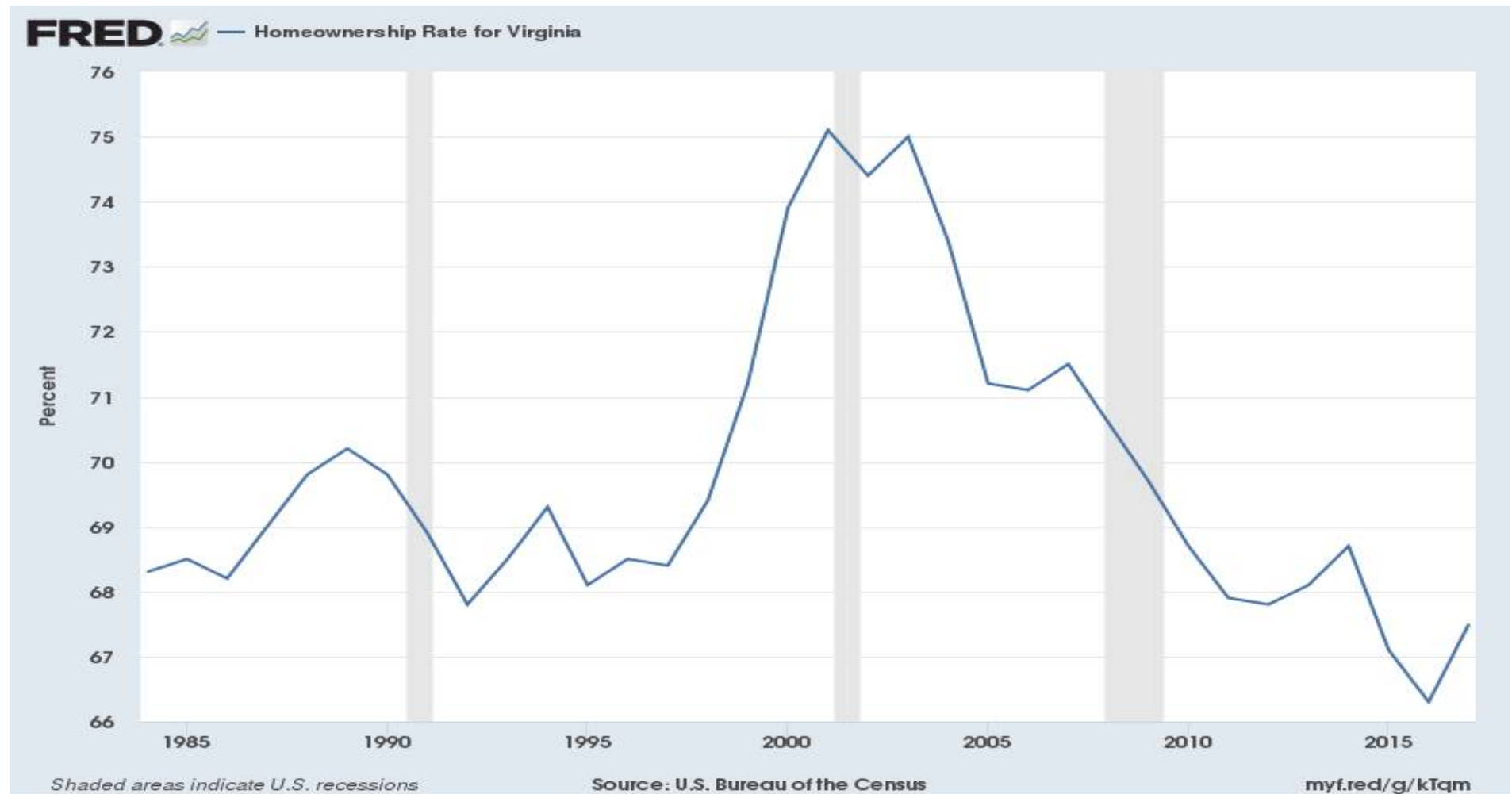


Rising Population Entering Housing Demand Years: 2017



A. CHANGING DEMAND:

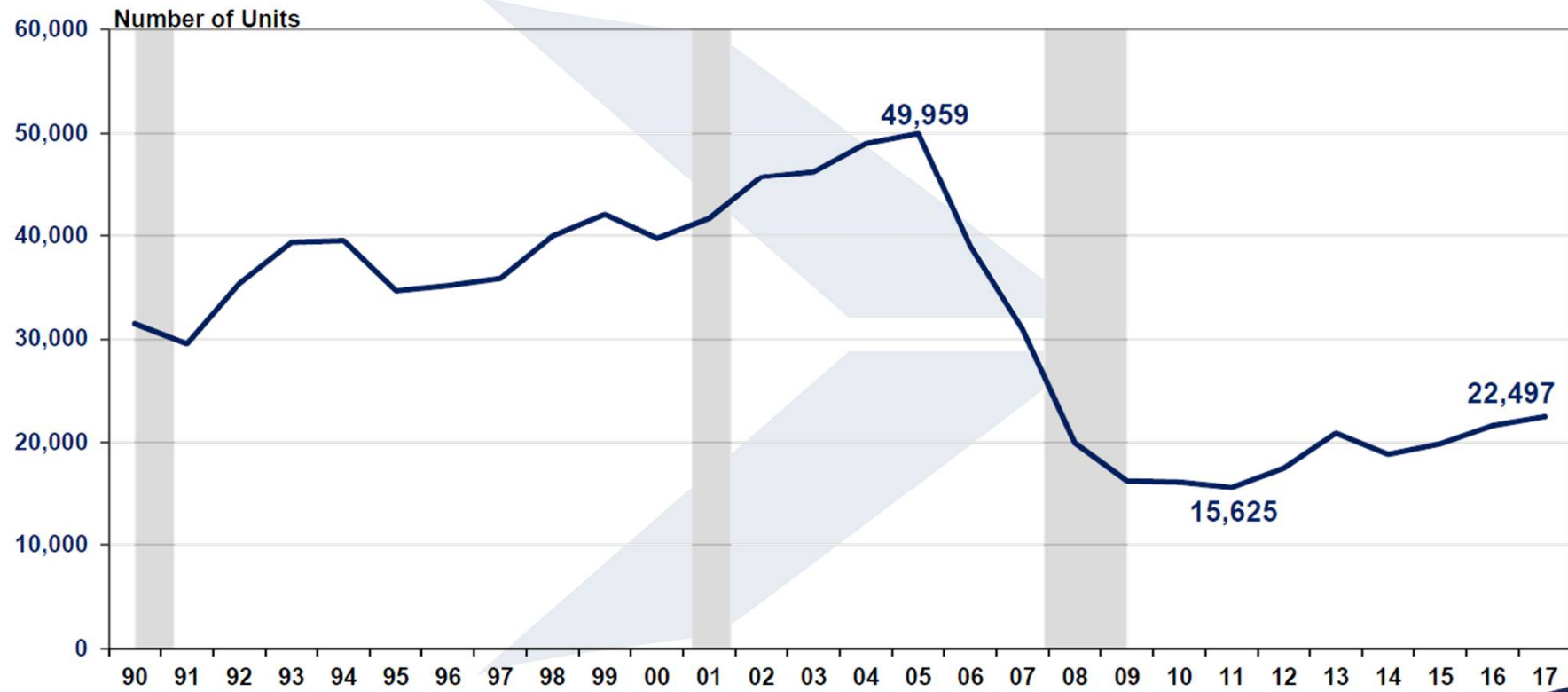
..... LOWER RATE OF HOMEOWNERSHIP>



A. CHANGING DEMAND:

DECREASE IN NEW SINGLE-FAMILY HOMES

Single-Family Building Permits – Virginia



Source: U.S. Census Bureau (BOC).

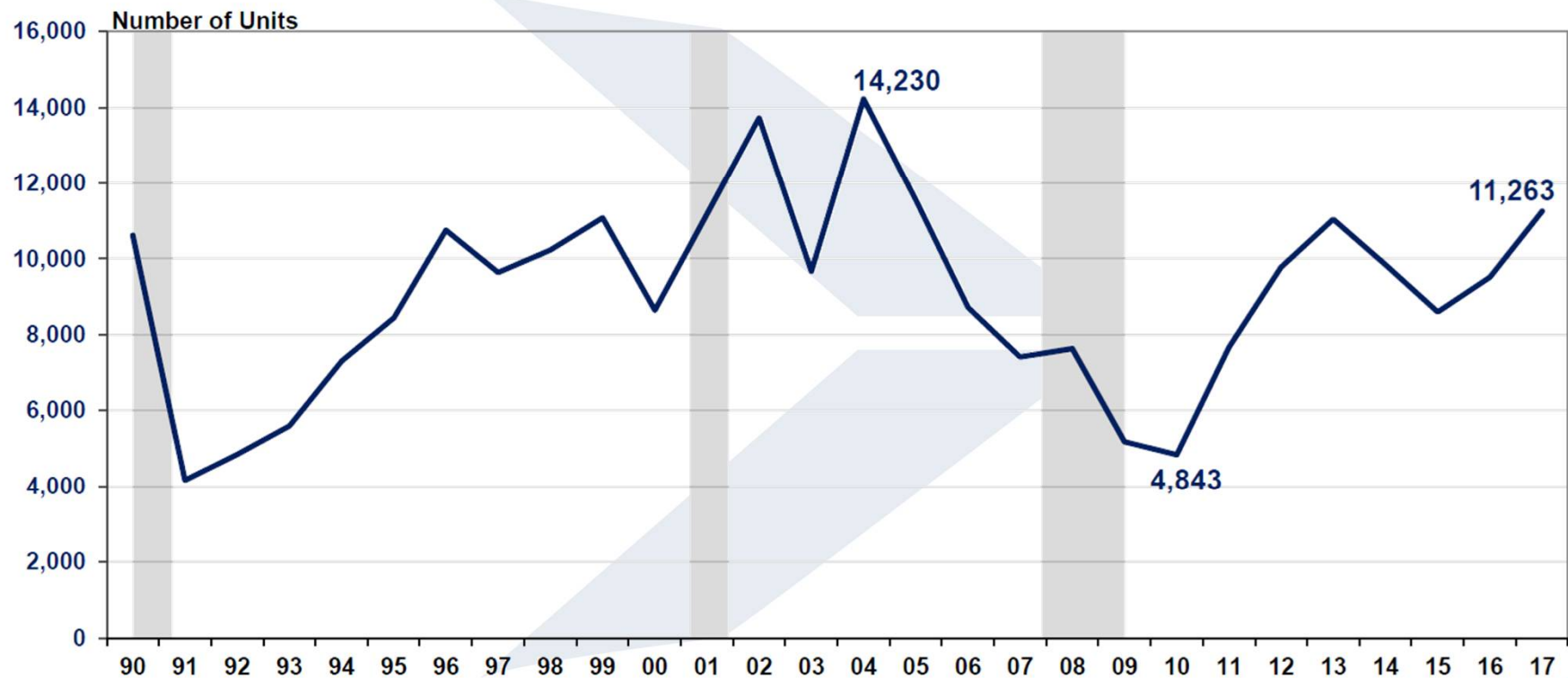


A. CHANGING DEMAND:

..... INCREASE IN NEW MULTIFAMILY UNITS



Multifamily Building Permits – Virginia



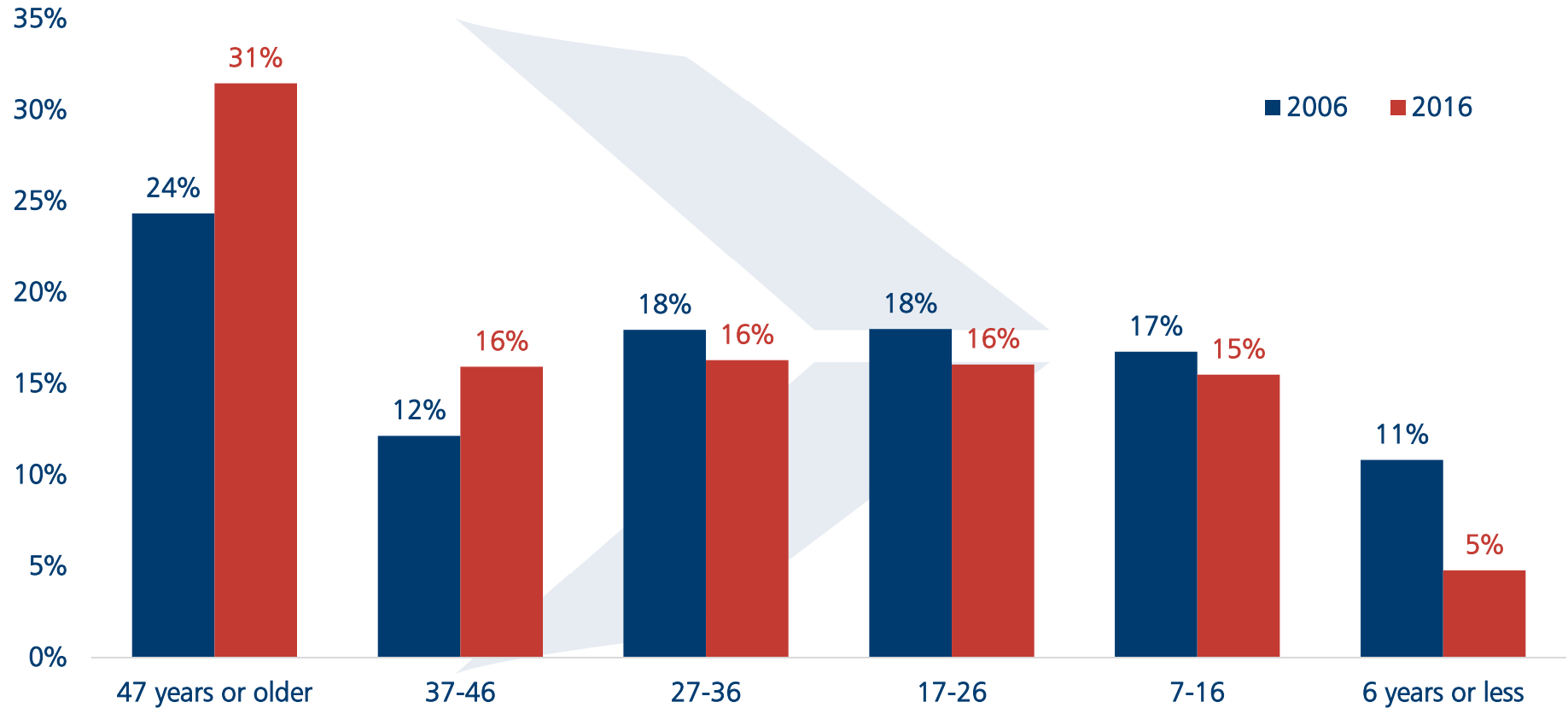
Source: U.S. Census Bureau (BOC).



A. CHANGING DEMAND:

HOUSING STOCK IS GROWING OLDER

The Age of the Housing Stock in Virginia



September 2018

FEDERAL RESERVE BANK OF RICHMOND

VIRGINIA

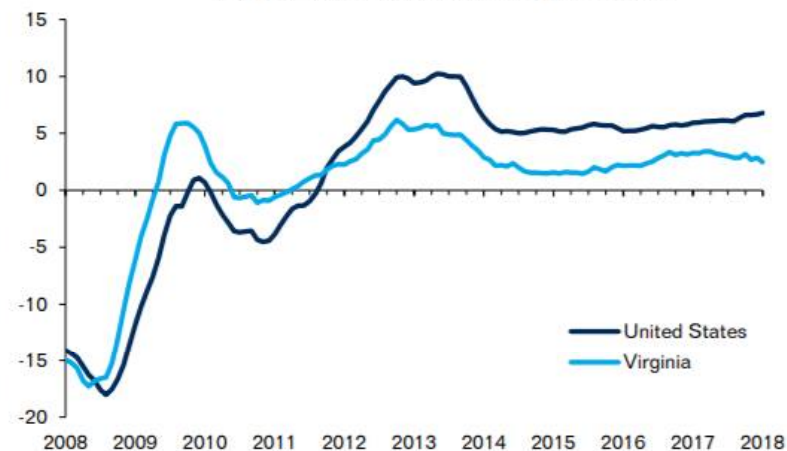
Real Estate Conditions

House Price Index (2000=100)	Period	Level	MoM % Change	YoY % Change
United States	June	204	0.73	6.78
Fifth District	June	201	0.46	3.76
Virginia	June	218	0.22	2.46
Blacksburg MSA	June	155	1.42	0.80
Charlottesville MSA	June	194	1.68	4.19
Danville MSA	June	159	0.22	-6.00
Harrisonburg MSA	June	234	0.22	1.78
Lynchburg MSA	June	171	0.48	3.43
Richmond MSA	June	185	0.14	3.70
Roanoke MSA	June	157	0.22	1.28
Virginia Beach-Norfolk MSA	June	190	0.14	1.95
Winchester MSA	June	200	1.00	3.01

Median Home Sales Price - NAR (N)	Period	Level (\$000s)	QoQ % Change	YoY % Change
Richmond MSA	Q2:18	267	5.53	5.12
Virginia Beach-Norfolk MSA	Q2:18	235	7.80	-2.04

Median Home Sales Price - NAHB	Period	Level (\$000s)	QoQ % Change	YoY % Change
Richmond MSA	Q2:18	242	12.56	3.42
Virginia Beach-Norfolk MSA	Q2:18	225	9.22	4.65

Virginia House Price Index (CoreLogic)
Year-over-Year Percent Change through June 2018

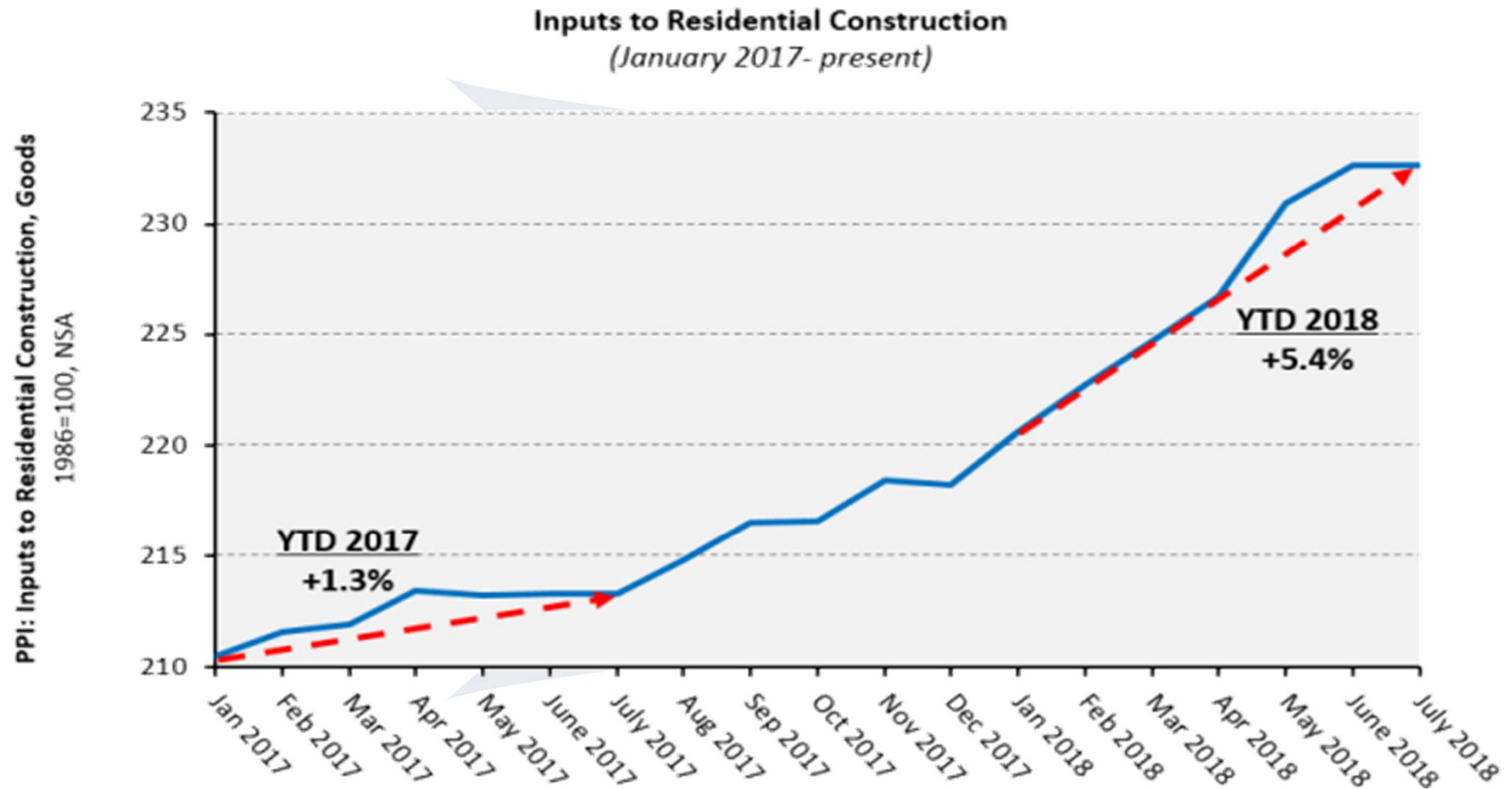


Virginia Beach-Norfolk MSA Median Home Sales Price (NAR)
Year-over-Year Percent Change through Q2:18



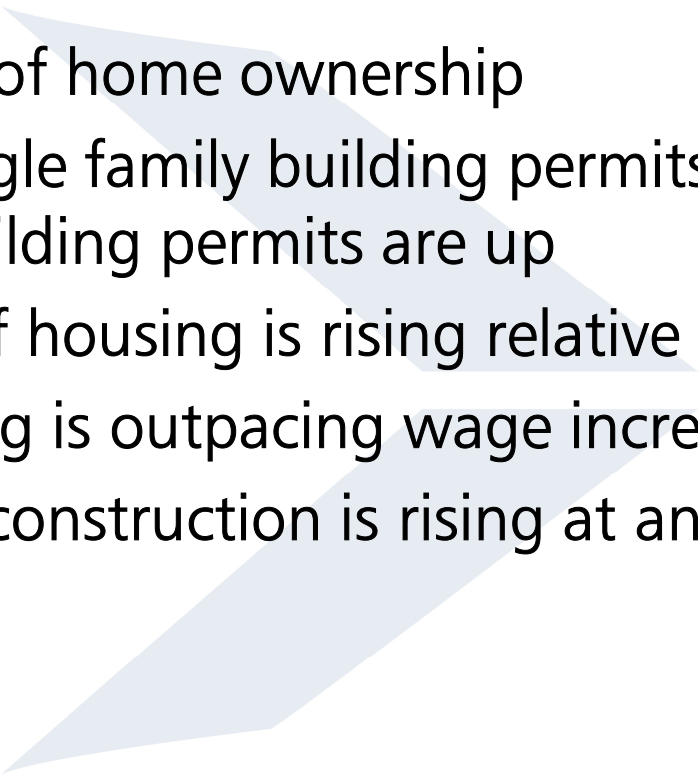
1. CHANGING DEMAND:

..... RISING CONSTRUCTION COSTS



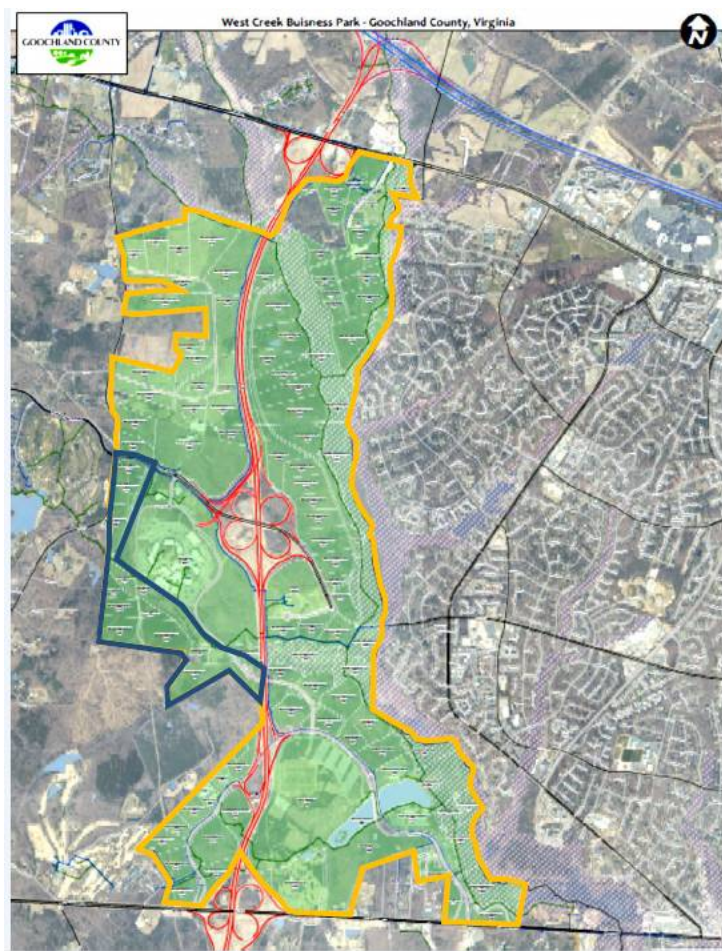
A. CHANGING DEMAND: MACRO TRENDS



- > Millennial Cohort = largest population of available homebuyers
 - > Declining rate of home ownership
 - > In Virginia, single family building permits are down; multifamily building permits are up
 - > Average age of housing is rising relative to a decade ago
 - > Price of housing is outpacing wage increases
 - > Cost of home construction is rising at an increased rate
- 

2. EXAMPLES OF EVOLVING MARKET DEMAND IN VIRGINIA

EXAMPLE 1. AGE-RESTRICTED COMMUNITY



- > HHHunt Communities:
Mosaic at West Creek,
Goochland County
- > 208 acres
- > 520 homes (55+ up)
 - 338 single-family
 - 182 townhome
- > Pool, clubhouse, fitness ctr.
- > 5.7 miles of trails/sidewalks
- > 30% open space (62.4 ac.)

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EXAMPLE 2. INNER SUBURB WITH URBAN-STYLE INFILL DEVELOPMENT

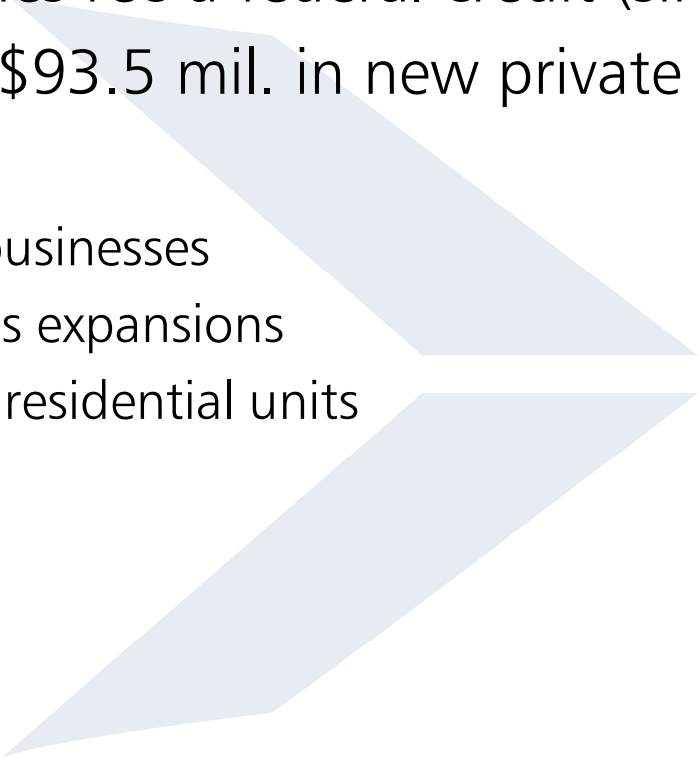


- > Gumenick Properties:
 - Libbie Mill | Midtown
 - Henrico County
- > Mixed Use Regional Center
 - Apartment (1100 units)
 - For-sale Townhomes (220)
 - Office (~715,000 sq ft)
 - Retail (~300,000 sq ft)
 - Hotel
 - Flagship County Library

EXAMPLE 3. COMMUNITY REINVESTMENT: HISTORIC TAX CREDIT PROGRAM



> Danville Case Study

- 20 properties rec'd federal credit (since 2005)
 - Leveraged \$93.5 mil. in new private investment
 - Result:
 - 17 new businesses
 - 7 business expansions
 - 443 new residential units
- 

EXAMPLE 3. COMMUNITY REINVESTMENT: HISTORIC TAX CREDIT PROGRAM



> Northern Virginia Case Study

- 2010: negotiations for P3 for adaptive reuse of Lorton Penitentiary
- 80 acre complex
 - 165 apartments (market & affordable)
 - 157 townhomes
 - 25 single-family
 - 110,000 sq. ft. retail/office
- Financing Sources:
 - VHDA 4% LIHTC, historic tax credits & VHDA bond financing
- Affordability:
 - 26% units: restricted to households earning 50% AMI
 - 24% units: restricted to households earning 120% AMI
 - 50% units: no income restrictions

EXAMPLE 3. COMMUNITY REINVESTMENT: PARTIAL ABATEMENT OF LOCAL RE TAX

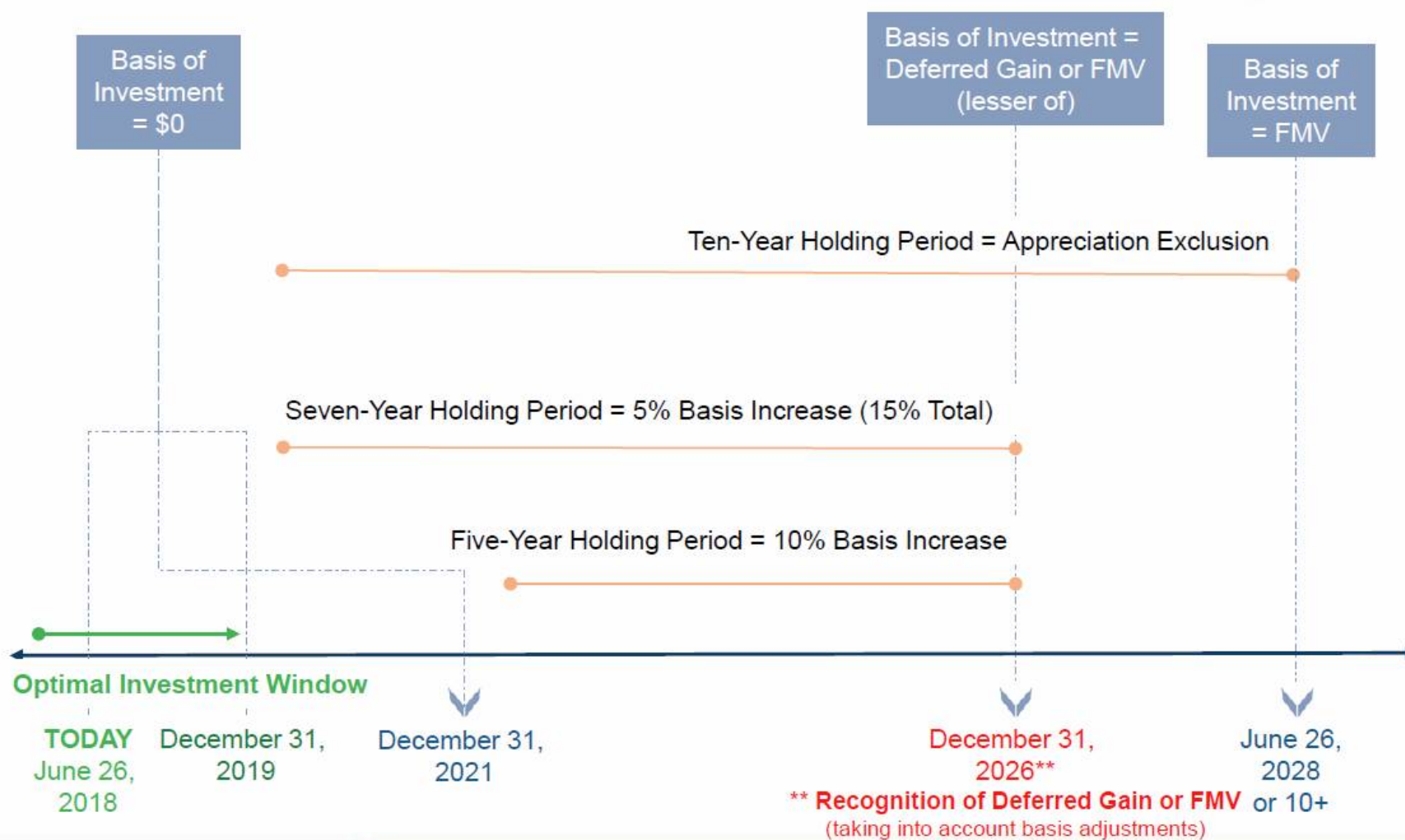


- > Spy Rock Real Estate Group:
 - Symbol at Scotts Addition, Richmond
- > Scotts Addition: revitalizing formerly industrial district
- > Mixed-use New Construction
 - 202 units multifamily
 - 62,000 sq. ft. commercial (retail & office)
- > Total Investment (land+improvements):
 - over \$25,000,000
- > Abatement Value:
 - over \$1,500,000 over 10 years



C. COMING ATTRACTIONS QUALIFIED OPPORTUNITY ZONE FUNDS

QUALIFIED OPPORTUNITY ZONE FUNDS



QUALIFIED OPPORTUNITY ZONE FUNDS



> Example

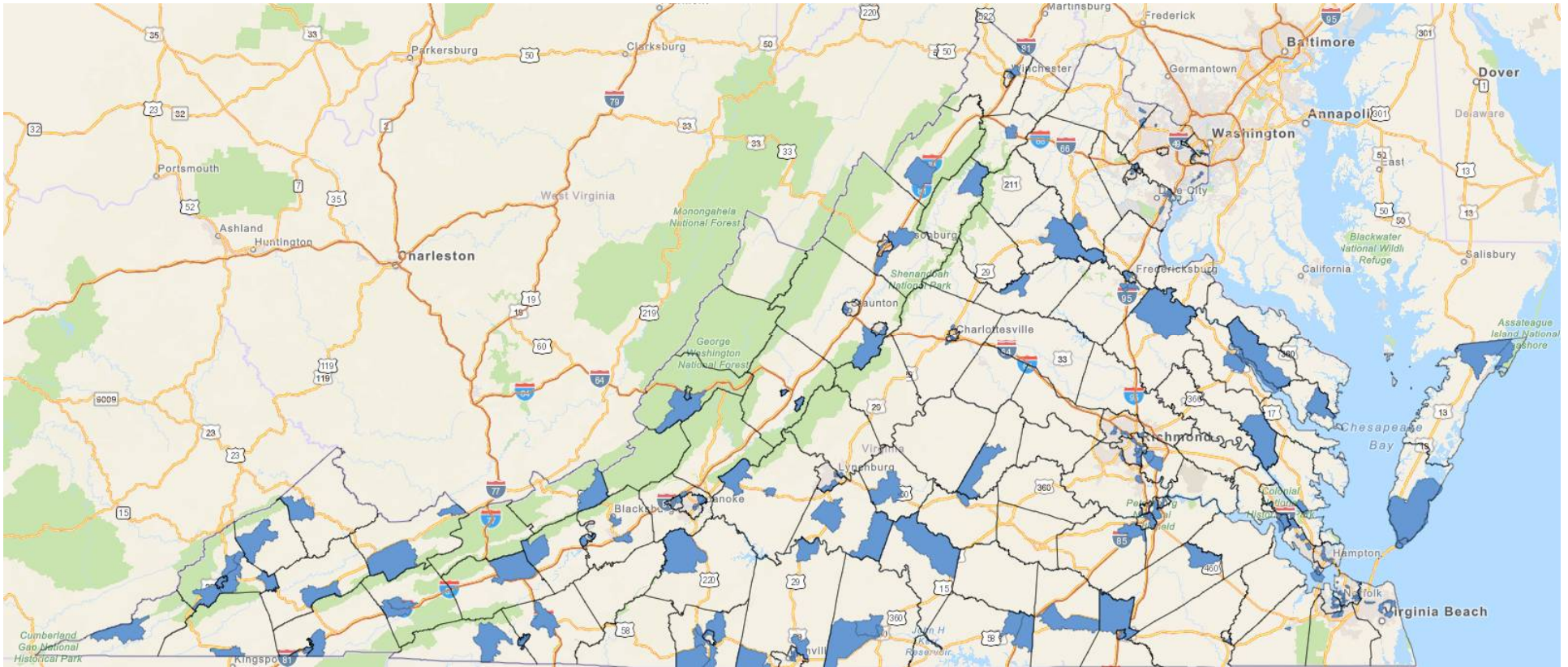
- Taxpayer sells stock with a basis of \$500,000 for \$1,000,000 on 12/31/18
- Taxpayer invests the \$500,000 of gain into a QO Fund
- Assume Taxpayer sold the QO Fund investment at the end of year four, five, seven or ten for \$1,000,000
- Assume a tax rate on capital gains of 20% in each potential year of sale/recognition

QUALIFIED OPPORTUNITY ZONE FUNDS

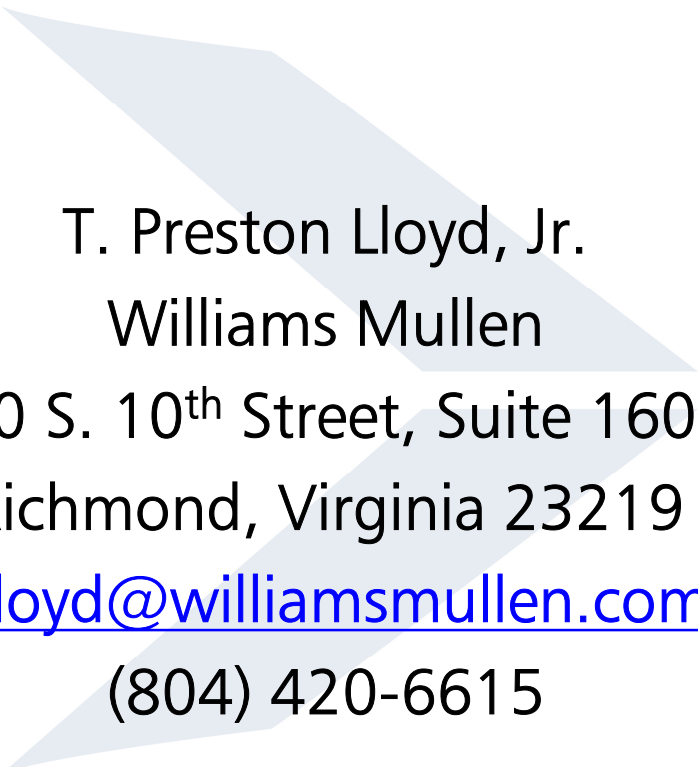


Holding Period	Basis	FMV	Gain Recognized	Effective Rate
Four Years	\$0	\$1,000,000	\$1,000,000	20%
Five Years	\$50,000	\$1,000,000	\$950,000	19%
Seven Years	\$75,000	\$1,000,000	\$925,000	18.5%
12/31/2026* (Temporary Deferral Ends)	\$75,000	\$1,000,000	\$425,000	
Ten Years (1/1/2029)	\$1,000,000	\$1,000,000	\$0* (\$425,000 Previously Recognized)	8.5%

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QUESTIONS



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Please note: This presentation contains general, condensed summaries of actual legal matters, statutes and opinions for information purposes. It is not meant to be and should not be construed as legal advice. Individuals with particular needs on specific issues should retain the services of competent counsel.